

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary - Public

**Date:** 26/04/2010

**GAIN Report Number:** FR9041

## France

**Post:** Paris

### France Adopts an Assertive Stance on Post 2013 CAP Reform

#### Report Categories:

Agricultural Situation

Agriculture in the News

Policy and Program Announcements

#### Approved By:

Daryl A. Brehm

#### Prepared By:

Xavier Audran

#### Report Highlights:

On several occasions, both French President Nicolas Sarkozy and Agricultural Minister Bruno Le Maire have expressed France's hard-line position on the reform of the European Union (EU)-27 Common Agricultural Policy (CAP), which will take place after 2013. In a late March public speech, President Sarkozy openly declared that, "France was ready to clash with other Member States" in opposing what he described as "a dismemberment of the CAP." He went on to state that, "France will not accept speculation erratically fixing agricultural prices." These statements follow months of growing farmers' disenchantment toward President Sarkozy and the government's policies, as the French farm sector is hit hard by the economic recession.

## **General Information:**

### **Author Defined:**

#### **A Gloomy Situation for French Farmers**

All economic studies confirm that France's agricultural income collapsed by 20 percent in 2008, and 34 percent in 2009; and 2010 forecasts are not looking optimistic. Currently, French farmers see agricultural commodities prices plummeting as large harvests meet shrinking domestic consumption and exports. Farmers are disoriented by the rapid and massive variations of agricultural prices, between the peak of 2007 and the low of 2009. The current CAP no longer seems to cushion farmers from price volatility and very few farmers have the expertise to use the financial tools and future markets to reduce such risks.

The somber mood of the French farm sector was enhanced by the "dairy crisis" of 2009, which saw prices plummet and farmers dumping milk into fields in protest. Raw crop farmers have also expressed that feel they are being treated unfairly with farm payments being redirected to other sectors, while environmental constraints are increasing their costs. In a March 2010 poll, not only 62 percent of farmers believed that they would face severe financial difficulties within the next twelve months, but also 13 percent of those who responded have considered quitting farming within the same period. The above mentioned poll also showed that only 47 percent of farmers supported President Sarkozy versus 87 percent two years ago. The poll also illustrated that only 16 percent of farmers have trust in the economic policy of the government, while 83 percent of farmers believe that they are not supported by the government.

The post 2013 CAP reform is perceived by French farmers as an extension or continuation of previous CAP reforms (Agenda 2000, Mid-Term Review, and Health Check) which led, among others, to an increased shift from commodity payment to decoupled payments, little to no public intervention on commodities, and an increased emphasis on environmentally-related payments. The aim of one reform was to get farmers in closer contact with the market. Retrospectively, it worked for the better (with the price surge of 2007, which boosted farmers' income) and for the worse (with the 2009 commodity price collapse).

#### **Target: French Farmers**

In the light of this situation, President Sarkozy's position on post 2013 CAP reform should be seen as a message to the French domestic audience. In recent local regional elections, President's Sarkozy's party- the ruling Union pour un Mouvement Populaire (UMP)- lost significant grounds (in some cases by more than 20 percent of voters compared to previous elections), particularly among agricultural voters (and by extension, rural voters). President Sarkozy has been confronted by angry demonstrators during field trips to local farmers. More recently, a group of young farmers demonstrated at sunrise in front of the presidential palace, taking security guards by surprise. To increase pressure on the French government, French farmers are planning for a large tractor cade demonstration through Paris on April 27, 2010.

The media has sarcastically pointed out how President Sarkozy's previous attempts to reassure farmers were not successful. A website discovered and widely broadcasted that President Sarkozy had cut and pasted identical speeches to different farmers' audiences.

### **Goals for Post 2013 Reform**

In the light of the reform's potential impact on France's farm sector, the Government of France (GOF) has clearly stated that the 2013 reform should focus on market regulation. Agricultural Minister Le Maire favors tools that enable a quick reaction to price volatility. According to Minister Le Maire, "The intervention tools should be more flexible, fast, transparent, and informative than the current ones." However, the GOF has not been precise on the type of tools it would like to create.

In the meantime, France seems to agree on a decrease in EU agricultural support (including the abolishment of milk quotas), but only if the EU strengthens the EU preference principle and guarantees agricultural prices at least equal to production costs. Obviously, France will meet strong opponents of the idea of a guaranteed price, probably led by the United Kingdom; hence, President Sarkozy's statement on "the possibility of an EU clash, if France is not heard."

For most analysts, the EU preference principle (or Community preference principle) will also need to be proven to be WTO compatible. The French stance is that EU internal production requirements (on sanitary, animal welfare, and environmental issues) requested by EU consumers groups should apply to imports as well, as they create a massive competition distortion.

### **Soliciting Partnerships**

President Sarkozy has requested Minister Le Maire to increase cooperation and dialogue with Germany to find a common ground on CAP reform. German Agricultural Minister Ilse Aigner will participate in a French Council of Ministers, as will Minister Le Maire participate in the German Council of Ministers. Both countries would work together to make proposals by the end of June 2010, emulating the Chirac-Schroeder Agreement of 2002, which paved the way for the CAP Mid-Term Review. In a more general picture, France believes that the new Agricultural Commissioner, Dacian Ciolos, will be open for more regulation and price support (or price guarantees) than former Agricultural Commissioner Fisher-Boel.

While not showing any deep enthusiasm, French farm organizations reacted positively to Sarkozy's statements about partnerships. By 2012, France will become a net contributor to the EU budget (i.e., CAP payments to French farmers will be below French contribution to the EU budget, the first time since the CAP was created in 1961). French farm organizations had feared that, due to budget constraints, the GOF support to a strong EU farm policy was to be eroded.

### **France to Act Domestically and Internationally on Price Volatility**

Agricultural Minister Le Maire presented in early April 2010, a new domestic bill, the Bill of

Modernization of Agriculture. The core of the bill will focus on the contracting process between farmers (producers) and purchasers (retailers, wholesalers and processors) by giving more rights and power to the producers' side. One idea is to allow producers to regroup to gain a critical negotiating weight against the handful of retailers in France. Other proposals include a tax measure (to smooth income variations over a period of years) and the strengthening of the agricultural prices watchdog. The law should be discussed at the French Parliament by the summer, with an approval before the end of 2010.

In the meantime, President Sarkozy announced his intention to discuss agricultural price volatility at the G20 level, which France will preside starting in November 2010. France plans to organize a G20 council of agricultural ministers where agricultural price fixing and volatility, as well as its impact on food security will be discussed. The date and location of this council meeting have yet to be announced.